

April 26, 2006

**VIA HAND DELIVERY AND ELECTRONIC MAIL**

Luly E. Massaro, Division Clerk  
RI Division of Public Utilities & Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

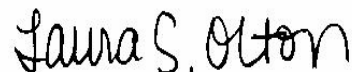
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets  
Remainder of Responses to Division Data Requests – Set 2  
Supplemental Response 2-5; Data Responses 2-10, 2-11 and 2-14**

Dear Ms. Massaro:

Enclosed please find six (6) copies of The Narragansett Electric Company's, d/b/a National Grid, responses to the second set of the Division's Data Requests issued on April 5, 2006, in the above-captioned proceeding. This set includes a supplemental response to data request 2-5 and the responses to data requests 2-10, 2-11, and 2-14.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 2-5 Supplement Response

Request:

At page 8, lines 18-21, of Mr. Gerwatowski's Direct Testimony he discusses benefits to be derived from the coordination of electric and natural gas meter reading schedules. In the context of anticipated efforts to coordinate such meter reading schedules, please:

- a) Provide the percentage of customers in each rate class for each utility (i.e., Narragansett Electric and New England Gas Company) for which Automated Meter Reading (AMR) is currently employed.
- b) Provide a detailed description of the AMR systems currently used by each company and the extent of their compatibility.
- c) Provide Narragansett's best estimates of the costs that will be required to reprogram, replace or otherwise modify existing AMR equipment to accommodate the reading of both gas and electric meters with a single pass.
- d) Provide the percentage of current Narragansett customers in each rate classification that also use natural gas service currently provided by New England Gas Company.
- e) Provide the number of customers in each rate class for each utility who utilize both natural gas and electric service and do not have AMR equipment installed for:
  - i) Metering their natural gas service
  - ii) Metering their electric service
  - iii) For either their natural gas or electric service

Response:

This response supplements the one provided in the Company's initial response of April 21, 2006 to Division Data Request 2-5. In that response, the Company noted that the response to subsection a) relating to New England Gas Company would be provided under separate cover. Please find the requested information below.

- a) For New England Gas Company, the percentage of customers in each rate class having AMR meters is as follows:

Rate 10 (Residential Non-Heating)	73.7%
Rate 12 (Residential Heating)	71.8%
Rate 21 (C&I Small)	74.2%
Rate 22 (C&I Medium)	58.9%

Division Data Request 2-5 Supplement Response (continued)

Rate 23 (C&I Large High Load Factor Use)	22.6%
Rate 24 (C&I Extra large High Load Factor Use)	3.3%
Rate 33 (C&I Large Low Load Factor Use)	15.6%
Rate 34 (C&I Extra Large Low Load Factor Use)	5.4%
Rate 60/61 (Non-Firm Sales/Non-Firm Transportation)	1.3%
Rate TSS (Transitional Sales)	61.8%
Rate 70 (Natural Gas Vehicle)	0.0%
Rate 80 (Gas Lamps)	0.0%

Prepared by or under the supervision of: Edward C. O'Rourke

Division Data Request 2-10

Request:

Re: page 9, lines 1-2 of the Direct Testimony of Mr. Gerwatowski, please:

- a) Provide support for the assertion that the proposed acquisition of New England Gas Company assets and consolidation of natural gas and electric service activities in Rhode Island will result in lower financing costs through access to broader capital markets.
- b) Provide support for the assertion that the capital markets Narragansett or its parent company, National Grid, will be able to access will necessarily be broader than the capital markets that New England Gas Company and its parent, Southern Union can currently access.
- c) Provide comparisons of the current average costs of long-term debt, short-term debt, and common equity for Narragansett and for New England Gas Company.
- d) Provide Narragansett's best estimates of the magnitude of financing cost savings that it expects to achieve over each of its first five years of operation after closing of the proposed transaction:
  - i) For the Company's electric operations
  - ii) For its newly acquired natural gas operations

Response:

- a) Since the New England Gas assets will become part of a \$27 billion international company, any future financings that may be required for those assets could be accomplished in a number of ways. To the extent that it is determined that the best way to raise funds for the US businesses of National Grid USA, including the Rhode Island businesses, would be to do so by utilizing European capital markets, we believe that the size of National Grid and the possible size of the issuance (NG could size the issue for multiple US companies) would provide an advantage in that investors favor issuances that are large since they provide liquidity. Funds raised at the Group level can be loaned to the US businesses through the National Grid Money Pool at favorable rates. If it were determined that it is most economic to raise funds for our Rhode Island businesses in the US, Narragansett's bond ratings are: unsecured A2/A by Moody's and Standard and Poor's, respectively, compared with Baa3/BBB for Southern Union and the debt would be lower cost, assuming those ratings.

Division Data Request 2-10 (continued)

- b) As discussed above, Narragansett's ultimate parent, National Grid plc is a very large company and currently has access to world-wide capital markets in multiple currencies. Capital markets have become more international, but generally require significant size, name recognition, and staff to manage international currencies in order to provide efficiencies in these markets.
- c) National Grid is assuming \$77 million of debt with an average price of 7.74% from Southern Union. National Grid has approximately \$15 million of debt at Narragansett at an average price of 7.14%. Narragansett Electric's current rate plan allows an equity return of 10.50% (at 50% equity) before sharing any higher ROE with customers. NE Gas' current rate plan allows them an 11.25% ROE at 44% equity prior to sharing. Since Southern Union's short term debt is consolidated, we cannot provide a carve-out number for New England Gas. Narragansett's short term debt is priced at approximately 4.7%.
- d) There are no current plans to retire NE Gas Company debt and future financing needs for the Rhode Island companies have not yet been determined, so there are no currently available estimates of financing savings.

Prepared by or under the supervision of: Robert G. Seega

Division Data Request 2-11

Request:

Re: page 9, lines 10-22, of the Direct Testimony of Mr. Gerwatowski, please provide the cost allocation metrics currently used by National Grid for its New York operations.

Response:

In New York, expenses are generally allocated 83% to electric operations and 17% to gas operations. This is an historical allocator that was developed and based on O&M expenses by gas and electric operations.

Prepared by or under the supervision of: James M. Molloy

Division Data Request 2-14

Request:

Re: page 11, lines 4-5, of Mr. Gerwatowski's Direct Testimony. Please indicate how long Narragansett intends to protect the jobs of current New England Gas Company employees.

Response:

Employees who are covered by a collective bargaining agreement and who meet the contractual requirement for job protection by date of hire and years of service for the duration of those labor agreements will have their jobs protected in accordance with the terms of the applicable agreements. In the case of UWUA Local 472, the agreement expires March 31, 2008. For Steelworker's Local 12431-01, the agreement expires May 31, 2007. Whether or not protection is extended or continued beyond those dates is a function of future collective bargaining.

For employees not covered by a collective bargaining agreement, it is the Company's intention to make reductions in overlapping departments and functions by use of voluntary termination programs. While the company does not rule out involuntary reductions if needed, we have had a strong track record of successfully using voluntary reductions in past merger integrations, and would endeavor to do so again. In any event, there is a "Continuation Period" of one year within which certain severance benefits are provided to employees who accept an offer of employment from the Company, but later are terminated for reasons other than cause.

Prepared by or under the supervision of: Ronald T. Gerwatowski

## Certificate of Service

I certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below:



\_\_\_\_\_  
Joanne M. Scanlon  
National Grid

April 26, 2006  
Date

### **National Grid & Southern Union - Docket D-06-13 Updated Service List as of 04/21/06**

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